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GENERAL

1. Western relations with East German Government--
US Embassy London reports that the permanent commission of the Brussels Pact countries meeting in London has agreed unanimously that: (a) no action should be taken which might be construed as de facto or de jure recognition of the East German Government (GDR); (b) trade relations with that regime should be conducted through private channels; (c) participation of the GDR in any international body should be opposed; (d) Soviet occupation authorities should be held politically responsible for eastern Germany; and (e) when final agreement is reached, the Brussels Pact countries will request the adherence to this position of all Western European countries except Spain. The Embassy observes that the suggestion to conduct trade with the GDR through committees of Chambers of Commerce was well received by the Commission.
2. UK views on position of world communism--According to US Embassy London, the British Foreign Office considers that the recent Cominform communique reveals world communism to be in an essentially defensive position despite the Communist victory in China and "the unsatisfactory economic situation in the free world." In support of this view, the Foreign Office contrasts the Soviet strategy of 1947, which was designed to take advantage of the "ripe revolutionary harvest" in Western Europe, with such present Soviet defensive actions as the establishment of an East German Government, the appointment of Rokossovsky in Poland, and the purges in the Satellites.

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FAR EAST

3. CHINA: K. C. Wu offered Taiwan Governorship--US Consul General Taipei has been informed by K. C. Wu, former Nationalist mayor of Shanghai, that the National Government of China has requested him to assume the Governorship of Taiwan. Wu indicated his willingness to accept the post, provided he is able to: (a) choose his officials personally; (b) control all national and provincial organs on the island; (c) attend all military conferences; and (d) establish a "truly democratic" form of government. Estimating that Taiwan's economy would collapse within two or three months unless aid is received, Wu expressed the hope that the US would accept the change in administration as a "first step in the right direction" and consider extending immediate assistance, as the reforms he envisions cannot succeed unless aid is forthcoming on a step-by-step basis.

(CIA Comment: CIA believes that Wu would be confirmed as Governor of Taiwan primarily in the hope of involving the US as deeply as possible in Nationalist affairs on Taiwan. CIA further believes that Wu probably would be unable either to take independent action as Governor of Taiwan or to halt continuing military and political deterioration on the island.)

Separatism in Southwest--US Consul General Kunming reports that a spokesman of the Yunnanese separatist group has stated that, despite the lack of US support for the movement, serious consideration is being given to declaration of Yunnan's independence from the rest of China. The Consul General expresses the opinion that such a declaration is "quite possible" within the next ten days.

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A N N E X

9 December 1949

POSSIBLE PHILIPPINE REBELLION

Post-election protest rallies, demonstrations, and sporadic violence following the re-election of President Quirino, coupled with reports that disgruntled members of the political opposition are planning a general armed uprising, indicate that political stability in the Philippines may be jeopardized during the next few months. The most likely dates the members of the defeated Nacionalista Party might choose for inciting a general armed rebellion would be: (1) immediately following the 13 December special session of Congress which meets to proclaim officially Quirino's victory; or (2) on or about 30 December when Quirino's inauguration is scheduled to take place. Although sporadic violence and the general dissatisfaction now prevailing provide an improved opportunity for inciting armed rebellion, it is unlikely that a lasting or widespread revolt against the present government can be achieved. Even a short-lived revolt, however, involving rioting and violence in Manila, would expose US citizens to injury and US property to damage. Such disorders would also provide the Communist-led Huk dissidents with a favorable opportunity for attacks upon US military personnel and equipment in the Clark Field area.

Concerning the possible duration, scope, and outcome of an attempted rebellion, three factors are dominant: (1) the leadership of the movement; (2) the Government's capabilities for maintaining order and suppressing the revolt; and (3) the extent of popular support which an armed uprising might

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receive. Jose Laurel, recently defeated presidential candidate and leader of the Nacionalista Party, is the only available opposition leader capable of gaining widespread support among the Philippine people. No evidence indicating Laurel's involvement with the reported Nacionalista plans for revolt is available, but his active support of the reported uprising must be considered to be a possibility. The Government's security forces are capable of controlling a Nacionalista-inspired uprising, unless forced to cope simultaneously with a large-scale offensive by the Huk dissidents. Even in this event, the Government forces are probably capable of maintaining security unless the uprising and the Huk offensives were under combined and unified leadership, which is unlikely. Moreover, in regard to possible popular support for an armed rebellion against the Government, a majority of the people supported President Quirino at the polls and would probably do so again during any critical situation.

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